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UNCLAS ABUJA 001936

SIPDIS

SENSITIVE

TREASURY PLEASE PASS TO OFFICE OF AFRICAN NATIONS (A. SEVERENS)  
STATE PLEASE PASS TO OPIC (J. WILLIAMS AND C. DUFFY)

E.O. 12958: N/A

TAGS: [ENRG](#) [ECON](#) [EFIN](#) [EINV](#) [NI](#)

SUBJECT: AES: GON PUSHING FOR PPA RENEGOTIATION

REF: ABUJA 1812

SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

1. (SBU) Summary: Charge met October 29 with AES officials from London and Lagos, to discuss AES's ongoing attempts to collect from Nigeria's National Electric Power Authority (NEPA) arrears on the Ebute power plant PPA (reftel). The AES officials said they had met and would meet with a number of high Nigerian officials and that they carried one message: they expected immediate, full payment on arrears, or operations at the Ebute plant would be suspended October 31. In fact, NEPA promised on October 31 to deliver a partial payment immediately and full payment within two weeks. In return, it asked that AES seriously consider renegotiating the PPA, which AES privately told us it has no intention of doing. AES backed down on its (dubious) threat to shut Ebute down. On November 7, NEPA indeed came through with a partial payment of 5.2 million USD, or about one month's worth of payments, out of a total of 18 million (and growing) in arrears. Power generation continued. End summary.

2. (SBU) John McClaren, AES Vice President of Operations for Europe and Africa, along with Mark Miller, AES's Ebute plant manager, and Tunde Gbajumo, AES commercial team leader in Nigeria, met with Charge October 29. McClaren said that pressure from AES headquarters had built to the point where his colleagues and he felt drastic measures were unavoidable. The three said that unless NEPA showed a change of heart and agreed to pay arrears in full, power from Ebute would be cut. In reply to Charge, Miller said that he did not think a partial payment would suffice to calm headquarters.

3. (SBU) According to Miller, Minister for Power and Steel Imoke had earlier in the day appeared unconvinced (or at least not overly concerned) by AES's threat to shut down the plant. A meeting later in the day with NEPA fared little better. Speaking in the evening of October 29 with ECONOFF, Miller said he anticipated a power shutoff on the evening of October 31.

4. (SBU) ECONOFF spoke again with Miller on October 31. Miller said that an October 30 evening meeting with the Governor of Lagos State had gone quite well and that on Oct 31 NEPA representatives had given AES a promise of immediate partial payment, to be followed within two weeks by full payment of the 18 million USD in arrears. NEPA had, however, urged AES to seriously consider renegotiating the PPA, something Miller privately told ECONOFF AES was not about to do.

5. (SBU) As of November 10, power continues to flow from Ebute. AES has informed us that on November 7 it received 5.2 million USD out of a promised initial payment of 8.7 million. NEPA has promised the remaining balance on the entire 18 million by November 14. In the meantime, NEPA has failed to keep up with new amounts coming due on the PPA, to the tune of about 5 million a month. For the record, Ebute provides roughly 13 percent of Nigeria's system (vice on-site) generating capacity.

6. (SBU) Comment: AES clearly is in a bind, but the real problem here is that the GON, intent on squeezing AES for a renegotiation of the PPA, seems blinded to the potential damage to its credibility among investors. Ebute is the first and only privately funded electric generation project in Nigeria. Already, OPIC has indicated to us that, as a

direct result of the AES case, it is uncomfortable proceeding in negotiations on political risk insurance for a power generation project currently under development in Akwa Ibom State.

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